

March 1, 2012

To: Board of Selectmen  
Finance Committee

Presented herewith is the Town Manager's Budget for Fiscal-Year 2012/13 for the General Fund, Water Fund (Kenwood), Sewer Fund and thirty-seven other "Special Purpose Funds". The budget is one of the most important documents produced by the Town in any year. It, along with the Capital Improvement Plan prepared by the Capital Planning Committee, (which is presented under separate cover), sets the format, guidelines, and direction that will be pursued in the ensuing year by Town Boards, Committees, and staff in delivering services to the citizens of Dracut. The budget outlines the various programs, activities, and projects proposed to be undertaken in the up-coming year, which have been recommended by the Department Heads, and Town Manager, and, in the case of the Capital Plan, the Capital Planning Committee, and for which funds are available.

This was to have been my last budget as Dracut Town Manager but at the request of the Board of Selectmen it was agreed to continue my employment until November 2013.

Fiscal Year 2012 (which is only two-thirds over at the time these comments are written) was a year when the Town saw moderating revenue reductions and some beginning signs of economic improvement at both the State and Local level which in turn moderated the impacts on the expenditure side of the budget. This impacted on the budget in the following manner:

- The acceptance of nominal 1% increases by three municipal employee groups;
- The ability to maintain Public Safety personnel levels at thirty-nine for both the Police and Fire Departments;
- Maintain equipment stabilization funding to their original levels;
- Increase education funding 1.5% despite State Aid cuts;
- The use of departmental savings to cover a snow deficit of \$200,000;
- Continued reliance on attrition to avoid layoffs and the resultant reduced staffing levels.
- A significant increase in the employee health care usage impacting the balances in the Claims Trust Fund and in turn the General Fund;

In spite of the continuing economic pressures on the Town a number of capital undertakings as well as other programs and initiatives were taken and or continued in FY12.

The Sanitary Sewer Expansion Program continued with the start of construction in the Marsh Hill Road/Cross/Crosby/Black Oak Lane areas, and the initiation of design in the Wheeler Road area.

During FY12 the Town Departments were called upon and responded in an exemplary manner to two major weather events. Hurricane Irene in August and the Halloween storm and attendant damage in October. As budget preparation was underway, Finance staff was in the process of filing with MEMA and FEMA for eligible reimbursement of expenses under the Federal Disaster Declaration

Following is a more detailed discussion/presentation of activities, programs, and initiatives of the current (FY11/12) fiscal year.

#### BUILDING/ INFRASTRUCTURE ACTIVITY

- Continued engineering for the reconstruction of Arlington Street from Broadway Road to Methuen Street and received approval of an appropriation for easement land acquisition along the route;
- Sidewalk improvements along Nashua Road from Lakeview Avenue to Mammoth Road and Mammoth Road from Nashua Road to Settlers Way;
- The reconstruction/repaving of several streets utilizing Chapter 90 funds and Town General Funds;
- Completion of full design plans for Dracut High School and the release of bids in the fourth quarter of the Fiscal Year;
- Approval of an appropriation for the construction of the new Town Hall and the continued maintenance of the Debt Service Reserve;
- Completed design for a sidewalk along Methuen Street from Arlington Street to Tellier Way and along Parker Avenue;
- Replaced the culvert on Parker Road;
- Relocated the unused generator from the Old Police Station to the DPW Garage;
- Commissioned four appraisals for possible Open Space Acquisitions;
- Completed construction of a salt storage facility to aid in maintaining inventories which was originally approved in 2006;
- The placement of a piece of steel from the World Trade Center at Fire Station No. 2 as a permanent 9-11 Memorial;

- Installation and replacement of school warning lights for all of the schools including radar detectors on Lakeview Avenue;
- Continued the contract for a Historic Sites/Building survey in the community;
- Installed a well at Dillon-McAnespie Park to support the irrigation system and avoid water purchase costs;

Other undertakings in the following areas were begun, continued, or completed in FY12 by Town Departments, Committees and staff all within the context of a budget that only increased 2.5% from FY11:

- The scheduling of hazardous waste day for residents;
- Continuation of full scale sidewalk snow clearing program on priority streets and the acquisition of a second sidewalk plow for this purpose;
- Conducted by outsourcing, a successful flu vaccine clinic;
- Met and slightly exceeded the State mandated Net School spending requirements for the Dracut Public Schools and the Greater Lowell Technical High School;
- Funded an overall 2.6% increase in employee health insurance; and retirement contribution costs;
- Continued an approximate 13% reduction in trash disposal tonnage over the base period of FY06/07;
- Experienced a 16% reduction in overall recreation registrations;
- Continued the expanded Council on Aging bus service;
- Continued interest billing on unpaid non-tax and non-utility municipal bills;
- Continued the policy of not providing police detail services when invoices are 45 days or more in arrears;
- Maintained the increased eligible participation in the Sewer Tax Rebate Program of 50 and in conjunction with the Finance Committee adopted revised eligibility requirements;
- Experiencing increasing levels (11.5%) in Veteran's Aid Benefit payments reflective of the economy;
- Continued to see higher numbers of interments in town cemeteries;

- Maintained transfers to the Equipment Stabilization Fund;
- In 2011, 443 meetings/gatherings were held between Harmony Hall and the Varnum Room at the Historical Society, nearly double the previous year;
- Experienced a slight increase in excise tax bills issued which correspondingly impacted revenue collections reflective of an improving economy;
- Experienced a slight decrease in registered voters (4.9%);
- Carried out a re-precincting following receipt of results of the decennial census;
- Undertaking updating and revising the Town's website to improve its functionality;
- Funded a permanent display for the Tercentennial Quilt at the Parker Library;
- Continued the goal of being a Heart Safe Community with the procurement of defibrillators in all Town Buildings and sponsoring CPR Training classes for Town Employees;
- Entered a cooperation agreement with the School Department to share an IT Position on a 80/20 cost sharing basis;
- Undertook technology improvements to the EOC Center at the Central Fire Station through donations;
- Eliminated the usage of sand as part of the snow and ice program due to its classification after use as a hazardous waste;
- Experienced reduced interest earnings in all funds reflective of national economic conditions;
- Purchased two replacement police vehicles;
- Reduced activity at Board of Health due to holding nurse's position vacant;
- Continue to receive restitution for the vandalism at the Hildreth Street Cemetery;
- Continue to experience a leveling off of circulation activities at the Library after several years of growth;
- Continued on-line payment of excise tax bills and initiated offering of paperless billing as a green initiative;

- Received 8,816 vehicles at the Dillon Center Compost drop-off site, 7.5% decrease from previous years but experienced a 40% increase in Christmas Trees recycled;
- Continued to participate with other area communities and the NMCOG in a feasibility study of establishing a Regional E-911 System;
- Utilized the Reverse 911 Notification System several times during the year;
- Continued the expansion of the compost centers availability during the summer months;
- Conducted a State Civil Service Commission Supervised Assessment Center to select a new Fire Chief;
- Continued outsourcing Sealer of Weights and Measures services with NMCOG;
- Received \$182,551 in CPA Grant matching funds representing only 26% of the levy;
- Continued the Town website ([www.dracut-ma.us](http://www.dracut-ma.us)); property appraisal listing on the internet; and provisions for tax bill payments;
- Maintained the Town's A+ Bond Rating with Standard & Poor's Rating Agency further described as a stable outlook;
- Continued contractual operating services with Small Water Systems, LLC for the Kenwood Water Department;

The above cited undertakings and accomplishments demonstrate the progress the Town continues to strive for in improving and enhancing its service delivery despite the pressures of the economic conditions.

While Dracut does not have an extensive business and industrial segment (only 9.06% of its assessable base) the year did see some economic activity:

- Adoption of a unified Tax Rate benefiting business properties;
- Auto repair and vehicle sales businesses on Merrimack Avenue;
- Retail business along Lakeview Avenue;
- Building Trade Building on Chuck Drive;
- Initiated a study along with NMCOG for a Mixed Use Overlay District in the Dracut Center Area;

### ELECTRIC/NATURAL GAS ENERGY CONSUMPTION

Energy consumption continues to be a large expense center for the Town both natural gas and electricity.

We continue to purchase electricity under a bulk procurement contract for all buildings (municipal and school) as well as street and traffic lights. The contract is with Trans Canada Power Marketing Limited and extends to 2016 at a cost of 9.4 cents per Kwh. Beginning in 2014 the price reduces to 8.67 cents per Kwh.

Natural gas is similarly purchased under a bulk contract from Direct Energy which expires at the end of 2012 following which it would be re-bid. The contract price is 8.3 cents per Therm.

### FREE CASH

The ability of the Town to maintain a free cash balance in the second half of 1990's and early 2000 years benefited the Town as it was able to not only carry out projects but also balance its budget. While necessary at the time this latter step was not necessarily prudent financially. The table below sets forth a history of the Town's Free Cash position:

<u>FY (Ending)</u>	<u>FREE CASH*</u>
92	\$ (1,067,432)
93	(909,765)
94	90,692
95	1,752,319
96	2,998,954
97	2,286,365
98	2,358,849
99	1,664,389
00	1,215,879
01	3,703,662
02	2,292,936
03	1,377,570
04	363,751
05	623,627
06	1,761,861
07	1,998,316
08	2,473,822
09	1,499,903
10	1,345,518
11	1,390,469

\*As certified by the State Department of Revenue

This ability to maintain a free cash balance benefits the Town in the following ways:

- Added interest earnings/revenues to support municipal services and programs;
- Avoidance of temporary borrowing costs for cash flow variances;

- Positive impact on the Town's Bond Rating;
- Use for one time programs or projects;
- Direct support of projects and activities with free cash; between FY97 and FY11 the Town has appropriated \$10.1 million dollars (an average of slightly more than \$691,000 per year) for the following uses:

General Budget/Tax Relief*	\$6,045,617
Bridges, streets, highways	275,000
School Department	1,732,175
Veterans' Park	400,000**
Fire Station	750,000
Conservation Land	140,000
General Government	150,000
Public Works Department	45,000
Employee Benefits	<u>1,000,000</u>
	<u>\$10,537,792</u>

\*Includes snow removal deficit

\*\*Includes \$150,000 FY08 Appropriation for parking lot expansion.

While there is no hard and fast rule, a general guideline and goal of management is to maintain a free cash balance as a "cushion" against unexpected emergencies and unforeseen conditions.

The latest sum identified represents 2.13% of the Town's operating budget. The sum available while greater than that of the last three years is still less than the average 5% of the budget management has consistently recommended as a desirable goal.

For FY12 it was necessary to appropriate from Free Cash the sum of \$168,367 to cover some of the snow deficit from the previous winter.

At the time these comments are written the 2011/12 winter season has been one of the mildest and could result in no deficit in the snow account.

### PROPOSED BUDGET

The Municipal Charter at Article 6 provides that the Town Manager, at least four months before the start of the fiscal year (i.e. March 1), should submit a complete budget to the Finance Committee. The Charter further provides that, "the budget adopted by the School Committee shall be submitted to the Town Manager in sufficient time to enable him to prepare the total town budget..." Because of enactment at the state level of an Education Reform Act, providing for the annual establishment of Net Minimum School Spending for each city and town, budgets for the local schools and the Greater Lowell Technical High School are in large part set by those funding formulas.

School funding is a function of two factors, direct school support, (Net School Spending) and qualifying indirect costs. A minimum local contribution is required along with State Aid makes the State prescribed minimum. This minimum is exclusive of expenditures for school transportation, community services and fixed assets for which a separate appropriation is made i.e. modular classrooms. For FY12 the Town's appropriations exceeded the minimum required by \$439,000 as shown on the School Department Budget page. This spending level placed the Town's funding for the Dracut Public Schools in excess of Formula Requirements – a benchmark of the Education Reform Act.

In Fiscal Year 2012 direct education expenditures for the Dracut Schools and Greater Lowell Vocational School represented 50% of appropriations. In addition to that direct appropriation are the qualifying costs identified on the School Department Budget page; there are other expenditures benefiting the education area, including motor vehicle fuel for vehicles and vans, un-reimbursed debt for school facilities, modular class room lease payments when applicable and library costs associated with school activities and maintenance for school crossing lights.

It had been the practice to budget for snow and ice control activities at or near the ten year average for expenditures. However, the cost increases associated with this service; along with the severity of recent seasons and the lack of discretionary budget resources has resulted in the inability to continue this practice. Only minimal increases are able to be made to the snow account and thus the FY13 budget is about 75-80% of the ten year average expenditure. At the time these comments are written the Town and area are experiencing a very mild winter season. Should this situation continue during the remaining months of the winter season, excess funds in the snow account will be used to purchase additional salt supplies as a proactive hedge against next winter season.

With the above comments as a frame of reference, the proposed budget for FY13 is in the preliminary amount of \$65.23 million, as opposed to \$63.84 million for FY12. It is a spending plan that estimates the cost of fixed and known contractual obligations and utility costs provides some funding increase to municipal accounts and will be able to meet Education funding requirements once final Net School Spending figures are developed for the School Department and the Greater Lowell Vocational School.

Some of the major factors comprising the budget are more particularly discussed below:

State Aid: At the time these comments are written, the Governor had submitted a proposed budget to the Legislature with an estimate of basically level funded general local aid, an increase in Chapter 70 funding, no Police Career Incentive Funding and level funded General Government Aid. These being the estimates available, they were utilized in building the Budget. Also, it won't be until a final State budget is adopted that final State Aid and Chapter 70 numbers are certain, that required school spending numbers will be known.

Hopefully, in advance of final action on the State Budget, both houses of the Legislature will reach agreement on a Local Aid Resolution, as has been the case in prior years.



New Growth Revenues: Economic conditions in the Town and region have slowed new housing construction the principal part of new growth revenues allowed under Proposition 2 ½, and thus an estimate had to be made at a nominal level.

New Revenue Sources: In the last two years the Town has added two small new sources of revenue, via contracts for Towing Services and Ambulance Service and charges on delinquent municipal bills. These revenues, however, nowhere near replaced the reduction experienced in, for example, Local Aid, interest earnings, excise taxes and development activity receipts.

Two years ago as part of a municipal relief package the Legislature gave cities and towns a means to replace lost revenues via a local option meals tax. Thus for three area jurisdictions have enacted this levy (Tyngsborough, Lowell and Chelmsford) and it is estimated that Dracut derives upwards of \$250,000 for a similar .75% local meals tax. It's not going to be possible for the Town to continue its level of services with continuing decreases or flat revenue sources. However, a proposal to adopt this revenue source was not approved by Town Meeting.

Structural Deficit: Consistent goals and objectives are to annually present a budget that does not contain a deficit or a structural deficit. This is a term that describes the reliance on the use of one time or non-recurring revenues i.e. free cash or other savings to balance the budget other than their use for one-time non-recurring undertakings.

The FY13 budget is being submitted as a balanced budget without proposing free cash usage for general budget relief.

On the expenditure side a major factor continues to be employee benefit accounts (health insurance/retirement).

Employee Benefits. The three principal and perhaps most important employee benefits the Town provides are a retirement plan through the Middlesex County Retirement System and the self-insured group health, life and dental insurance program and the Medicare Matching Program. All are contributory programs. For FY13 the Town's assessment for County Retirement is increasing an estimated 4.3% which increase is in addition to funding included in the Debt Account to pay for the bonds issued to prepay the Early Retirement Assessment of FY03.

At the same time, though, little headway is being made on reducing the Town's unfunded accrued liability, which must be eliminated by 2038. At January 2010 this liability stood at \$39,095,504.

During FY12 the State enacted legislation to extend the liability payment deadline from FY35 to FY38 as assistance to municipal budgets in these recessionary times.

As has been the case locally, regionally and nationally, increasing healthcare utilization costs, prescription drug costs, HMO premium increases and reinsurance costs have heavily impacted the Town's Health Insurance Trust Fund. The FY12 Budget projects a funding increase on the part of the Town at \$600,000 or 7.49%. As is shown on the chart accompanying these remarks this cost center has been one of the fastest and largest growth centers in the budget.

The Town began FY12 with a modest balance in its self-insurance claims trust fund. However, as a result of a prior years cost settlement and extremely heavy usage through the first seven months of FY12 the fund balance is being and is projected to be drawn down considerably. It is anticipated Plan Designer negotiations will help reverse and stabilize this situation.

Municipalities in Massachusetts do not participate in the Federal Social Security System. However, since 1986 all new employees are required to enroll in the Medicare system which requires an employer match of 1.65%. This cost center has been increasing each year as new employees join the Town. At the same time though this should benefit the Town in the long run as acceptance of M.G.L. Chapter 36 Section 19 requires Medicare eligible employees to join that system upon eligibility thus lessening claims in the Claims Trust Fund.

Another issue for the town to begin thinking about is what has been titled in financial circles as Other Past Employment Benefits. During the second quarter of FY11 Standard and Poor's in rating the Town's Bond issues pointed to this factor in their analysis. At January 1, 2009 the Town's OPEB actuarial account liability (the cost of retired employees' health insurance) stood at \$137.7 million. Steps toward reducing this obligation need to be advanced in the coming years and a small start is being made in FY13.

While the General Fund is the principal operating entity of the Town, it is not the only one. In the Other Funds section of the budget are several important cost centers - and four in particular.

The first, as noted, is the Claims Trust Fund, the Town's employee group health insurance trust fund. This fund receives employee/employer contributions and, along with interest earnings and stop loss reimbursement, funds costs associated with employee group health and life insurance.

The second is the Sewer Fund. This enterprise activity has and is proposed to, continue to fund all sewer system related costs, including routine operating expenses, small sewer expansion projects, and debt service associated with larger projects. In FY07, additional Capital Funding was obtained (\$30 million dollars) to continue the sanitary sewer program for the ensuing seven to eight years. In order to continue the program it was necessary to seek additional disposal capacity of the Greater Lawrence Sanitary District, and approval for flows to traverse through Methuen to the G.L.S.D. The separate Sewer Fund budget message in the Other Funds section of this document outline further comments on the fiscal strengths of the fund.

Third is the Stabilization Fund, which functions as an equipment replacement fund for major equipment purchases of the Public Works and Fire Departments. This procedure is demonstrating its full value, as it is able to fund needed equipment purchases without borrowing. Thus, these pieces of equipment can be replaced when necessary without having to compete for debt capacity with other needed capital undertakings.

Fourth is the Kenwood Water Fund through which water service is provided to approximately 1900 customers in the east part of Town.

## PROPOSED REVENUE BUDGET

There are two major components to this budget or any budget — revenues and expenditures.

Revenues and transfers for FY13 are preliminarily expected to increase as shown on Page A of this document and described herein. The sum of \$65,531,807 is expected to be available for expenditure, subject to final adjustments in State Aid as discussed herein.

The revenue portion of the budget is comprised of four sources, which for FY13 can be broken down as follows based upon the preliminary non-final estimates:

Taxes (property)	63.77%
State Aid (Level funded)	33.46%
Local Receipts	2.22%
Fund Transfer	0.55%

With all of the above comments as background the following is a brief summary of some of the major items contained in the budget proposals in addition to those already described:

### REVENUES

- Modest growth in the Town's assessable base representing an estimated \$300,000 in new growth taxes;
- A small increase in excise tax revenues following several years of reductions;
- Staying within the constraints of Proposition 2 ½ by estimating only a 2 ½% increase on the FY12 Levy Limit;
- Continuance of the accounting change which implemented enterprise accounting and reimbursement to the General Fund for its costs associated with supporting utility operations;
- An estimate of "Debt Exclusion" and "Special Assessment" revenues as an offset to corresponding estimated expenditures which are reduced over the previous year;
- Reduced interest earnings and level Medicaid reimbursement revenues;
- Continued inclusion of Medicaid Drug Subsidy revenues;
- Continued transfers from the Wetland Protection (decreased by \$5,000), Cemetery Trust Funds, Offset Funds, Sewer and Water Funds;

- Level funded State Aid estimates other than Chapter 70 pending final enactment of a State budget;
- An inter-fund transfer from the Englesby Debt Service Reserve to offset corresponding Debt Payments, at the level of the debt payments;

## EXPENDITURES

- A decrease in the debt account representing declining debt obligations due to payment but also the set aside of \$450,000 to the Stabilization Fund toward a Town Hall project;
- A 4.3 % increase in pension costs, a 7.5% increase in group health insurance costs, and a 5% in FICA (Medicare costs);
- Continuation of contributions to the Stabilization Fund for implementation of equipment replacement schedules for Fire and Public Works Equipment with prior year cuts restored;
- Purchase of two replacement police cruisers;
- Continuation of the expanded days for the leaf/brush/compost center;
- A continuation of the Chapter 90 road paving program;
- Funding to continue a modest sidewalk installation/repair program as a supplement to the Chapter 90 Program;
- Continued funding to sponsor Town Assessment Data on the Internet at: [www.visionappraisal.com](http://www.visionappraisal.com);
- An 8% increase in the Parks Account for utility costs and the second year of Dillon/McAnespie Park in FY12;
- Funding to maintain the Sr. Tax Rebate Program which is expanded to serve 50 participants in FY12;
- Funding for Veteran's Park monitors and Skateboard Park monitors;
- Continuation of additional outreach services at the Council on Aging;
- A small increase in the snow removal account to approximate 78% of 10 year average expenditures;
- Annual funding for the Reverse 911 System;

- The continuation of GIS counter service in the Assessors office;
- Funding for a uniformed compliment of 39 personnel in the Police Department and the Fire Department;
- Maintain funding in the Historical Account for the continuing expanded use of Harmony Hall;
- Continue absorption of the State's unfunded obligations for the Police Career incentive (Quinn Bill Program);
- A 5% increase in motor vehicle fuel costs;
- Funding to support on line recreation registrations;
- Funding to meet a projected \$800,000 increase in Net School Spending;
- Initiation of CDL license testing requirements;
- Funding to begin restoring, on a part-time basis, the Town Nurse position vacated the last two years due to attrition;
- Implementation of GPS Software and Equipment for storm and wastewater inventories of intake and outfall structures;
- Funding for Workman's Compensation Insurance Assessment of \$56,000 covering the years 2004, 2005, 2006 to be paid over three years;
- Funding for negotiated buy backs for retiring municipal employees;
- A 3% increase in Trash Disposal account and use of the Tip Fee Reserve if necessary;
- Increased costs in the Assessor's account due to State mandated revaluation (see separate comments following);
- Continuation of services at the Council on Aging, including an expanded SHINE program, Veteran's Breakfasts, File of Life Program, and Legacies Programs;
- Continuation of Sealer of Weights and Measures Services under contract with NMCOG;
- Continuation of the Mosquito Control Program;

#### Revaluation

The Department of Revenue has recommended a cyclical re-inspection of all properties in the Town of Dracut for the Fiscal Year 2015. There are presently 11,849 parcels assessed as of FY12.

In preparation of the requirement to inspect all properties every nine years, a cyclical re-inspection of all properties will begin during fiscal year 2014; therefore inspection will take place during calendar years 2012, 2013 and 2014. The purpose of this re-inspection is to verify the property information that is currently on file in the Assessor's Office. During the inspections, data collectors will physically inspect the interior and exterior of all properties.

Also, during this time the Town has been implementing video imaging of all properties. A digital picture of all properties will be taken. These pictures are then matched with the property record card and replace the sketch of the building that is currently in use.

In the Stabilization Fund (from Equipment Reserves):

- Maintenance of Equipment Reserve Schedules;
- Purchase of a departmental administration vehicle;

In the Kenwood Water Fund:

- Continuation of permanent debt repayment schedules for the water meter replacement program;

In the Capital Improvement Fund:

- Projects if voted by the Capital Planning Committee which was in preparation as these comments are written;

In the Sewer Fund:

- Increased appropriations due to increasing treatment charges and debt costs;
- Completion of construction of the Peters Pond project, Arlington Street and Loon Hill Road area and assumption of debt for these projects;
- Provision for new pumping stations that have come online;
- Continue inflow and Infiltration (I & I) corrective work and inspection repair program via a camera viewing program;
- Completion of the Marsh Hill/Crosby Road sewer area;
- Initiation of design for the Wheeler Road sewer area;
- Execution of conversion to a metered billing system;

In the Public Works Capital Projects (Chapter 90 and Special Grants) Fund:

- Repaving of additional streets;
- Initiating bidding for the reconstruction of Arlington Street between Broadway and Methuen Street;
- Unaccepted street engineering;
- Continuation of sidewalk replacement/installation

In the Community Preservation Fund:

- Reducing annual match's from the State due to reduced real estate activity at the Registry of Deeds;

The Town General Fund budget is often viewed only in terms of the amount of funds devoted or allocated to a particular activity or service. No service or activity, however, including utility enterprises should be viewed in a vacuum in terms of the budget. If Town Departments were independent entities, i.e. separate subsidiaries, each would incur significantly increased costs for services provided in support of their activities, but funded elsewhere in the budget document. For example, such costs would include general administration, revenue collection, accounting and financial services, insurance and debt services. All of these support activities represent necessary expenditures in support of the operating or direct service departments of the Town.

BUDGETARY HISTORY

Annually during the presentation and deliberation of the budget, conjecture and comparisons are sought as to whether one service, function or department is receiving an allocation of resources greater or lessor than another. As noted above there is an inter-relationship between budgetary categories. Because of the twin constraints of Proposition 2 ½ and the level of State Aid received each year, the operating budget in turn is constrained. Therefore, what is available must of necessity meet the required expenditures.

Attached is a chart which shows a seven-year history of budget analysis—how each major functional area has faired as both a part of the budget each year, and which have grown at a rate greater or lessor than the entire budget. It does show interesting trends and changes, particularly in those areas which in the last five-years have grown at a rate greater than the overall budget. Readers are directed to this chart for a greater prospective and understanding of the overall budget.

BUDGET FORMAT

The budget document presented this year is in a similar format to that of previous years. To begin with, the General Fund is presented following the UMAS suggested uniform accounting system for municipalities (both revenues and expenditures). For FY13 the Town Accountant made some adjustments to the line item numerical presentation. The document also

presents proposed budgets for a number of special purpose funds. In this manner, it is believed the document constitutes a complete financial tool against which all Town services, programs, and activities can be considered.

Additionally, within applicable budgetary accounts are features, which, it is hoped, will aid the user in understanding the document. There are:

### MEASURES OF ACTIVITY

Measures of activity are a three-year statistical summary of activities carried out in various departments.

### BUDGET COMMENTS

Additional written comments are presented in many budgets as further detailed explanation of activities or proposals applicable to a particular budgetary account.

### ADDITIONAL BUDGET MESSAGES

Besides this overall budget message, briefer budget messages are presented to introduce and explain the particular special funds and their purpose.

### BUDGET PROCEDURE

This budget is the result of, and represents, the efforts of a large number of individuals. The budget process began in November with the distribution of Departmental Request Forms to each Town Department. In December, departmental requests were submitted to the Town Manager where review took place representing preparation of this document. During the review process, many departmental requests were cut, not because they lacked merit or were without justification, but because available funds did not allow their inclusion. During the review and preparation process Finance Director Ann Vandal and Town Accountant Paul Hebert provide considerable assistance. The last step in the staff process is presenting a proposed budget document; Mrs. Samantha Carver performed outstanding services in this regard.

Once the budget is submitted to the Board of Selectmen and Finance Committee, the budget process does not end. It is anticipated that both bodies will spend many hours in reviewing this document and evaluating requests prior to formulating recommendations for Town Meeting. During the course of this review, revenue or expenditure items may be considered for increase or decrease with the only limitations being that revenue estimates be realistically achievable and equal or exceed anticipated expenditures, and the constraints of Proposition 2 ½ not be exceeded, unless the community chooses to override this tax limitation law, for general needs or to exclude a particular debt instrument.



### SUPPLEMENTAL INFORMATION/COLOR FORMAT

The document presented includes, as indicated, various items of supplemental information and uses different color pages according to the following system:

White Pages:	Detailed Expenditure Budgets, General Fund.
Yellow Pages:	Revenues, General Fund.
Green Pages:	Summaries of Budgets, Narrative account explanation.
Blue Pages:	All other funds.
Pink Pages:	Tables, Organizational Charts.

### CONCLUSION

The Budget proposed for FY13, reflective of Charter requirements is a balanced budget that includes all town agencies, includes information on expenditures and revenues and summarizes the Town's debt position. As noted though, changes are expected to occur between presentation and adoption based upon action by the Legislature on the final State Budget.

The ultimate determination of the level of services to be provided rests with the Town Meeting and citizens of Dracut. Through this document, information is presented to assist in reaching that determination. The Town Manager and Department Heads are ready and available to assist in this process and to implement the adopted budget with expedience and efficiency.

Respectfully submitted,

Dennis E. Piendak  
Town Manager